



11/10/05

## MESSAGES FROM THE HOUSE

**SB 533 (Garcia)**  
**SB 633 (Cassis)**  
**HB 4972 (Steil)**  
**HB 4980 (Jones)**  
**HB 5095 (CONDINO)**  
**HB 5096 (Sheen)**  
**HB 5097 (Sheen)**  
**HB 5098 (CONDINO)**  
**HB 5106 (CONDINO)**  
**HB 5107 (CONDINO)**  
**HB 5108 (Sheen) -- Main Bill in the Package**

### REPUBLICAN SBT PLAN

Support: Michigan Chamber of Commerce, Insurance Institute of Michigan, National Federation of Independent Business, Small Business Association of Michigan, Detroit Regional Chamber, Michigan Bankers Association, Coalition for Tax Relief and Jobs (Michigan Association of Home Builders, Michigan Association of Insurance Agents, Freedom Works, Michigan Business & Professional Association, Car and Truck Rental and Leasing Association of Michigan, Life Insurance Association of Michigan, Auto-Owners Insurance, and Michigan Insurance Coalition).

SB 533 would require money in a new Jobs for Michigan Investment Fund to be spent for basic research, applied research, university technology transfers, and commercialization of products, processes, and services to encourage the development of competitive edge technologies with a high probability of creating jobs in Michigan. SB 533 is the Republican response to the Governor's \$2 billion "Jobs For Michigan" bond proposal.

- The Senate concurred with the House changes to SB 533 [RC 575: 35 yes, 3 no].

SB 633 would lower the single business tax rate from the current level of 1.9% to 1.8% in 2007, 1.7% in 2008, and 1.6% in 2009. These tax rate reductions would reduce single business tax revenue by an estimated \$79 million in 2006-07, \$189 million in 2007-08, and \$306 million in 2008-09. Also, under current law, the single business tax is scheduled to be repealed effective for tax years that begin after 2009. The bill would eliminate this repeal; instead, the tax rate would continue to be reduced by .1 percentage point each calendar year until it would fall to zero in 2025.

- The Senate concurred with the House changes to SB 633 [RC 579: 34 yes, 4 no]. Immediate Effect was given to the bill.

HB 4972 would create a personal property (i.e., business equipment) tax credit ranging from 20-50%, depending upon the year in which the machinery was purchased. There is also a renewed credit available if certain consensus revenue estimates are reached. This is the bill designed to help manufacturers with their primary concern, the personal property tax. The bill would reduce SBT revenue by an estimated \$757.8 million between 2006 and 2010.

- The Senate concurred with the House changes to HB 4972 [RC 580: 38 yes, 0 no]. Immediate Effect was given to the bill.

HB 4980 would eliminate the exemption provided for the sale of tangible personal property to inmates in a penal or correctional institution.

- The Senate concurred with the House changes to HB 4980 and granted IE [RC 581: 36 yes, 2 no]. Immediate Effect was given to the bill.

HB 5095 would change state revenue sharing law, generally speaking, to return to the penalty system for unpaid taxes that existed prior to 2002, and establish an out-of-state affiliate standard. It is hoped that this bill will raise \$10 million in SBT revenue, and \$15 million in use tax revenue from out-of-state companies.

- The Senate concurred with the House changes to HB 5095 [RC 582: 22 yes, 16 no] Immediate Effect was given to the bill [RC 583: 27 yes, 9 no].

HB 5096 would impose the new specific tax on commercial rental property. Under the bill, local assessors each year would be required to determine the value and adjusted taxable value of a parcel of commercial rental property by December 31. Property would be assessed at 50 percent of its true cash value.

- The Senate concurred with the House changes to HB 5096 [RC 584: 24 yes, 14 no]. Immediate Effect was given to the bill.

HB 5097 would exempt commercial rental property beginning December 31, 2005. The bill would exempt commercial rental property from the general property tax. Property owners would have to file an affidavit with the local tax collecting unit before December 31 with the local tax collecting unit. Property owners would also be required to file a form rescinding the exemption within 90 days of when that property is no longer considered to be commercial rental property. Failure to file a rescission would be a penalty of \$5 per day, up to \$200, for each day after the 90-day period. The penalty would be deposited in the School Aid Fund.

- The Senate concurred with the House changes to HB 5097 [RC 585: 23 yes, 15 no]. Immediate Effect was given to the bill.

HB 5098 would raise the amount that a small business can pay a partner/shareholder from \$115,000 to 175,000 and still qualify for the lower SBT rate (effective 1/1/07). The bill lowers the small business tax rate from 2.0 to 1.4% in .2% increments, starting in 2008.

- Cassis 1 was adopted [no RC]. Technical change.
- The Senate concurred with the House changes to HB 5098, as amended by the Senate [RC 591: 23 yes, 15 no]. Immediate Effect was given to the bill.

HB 5106 would eliminate a sales tax exemption related to driver's education vehicles. This would increase sales and use tax revenue by an estimated \$.7 million.

- Cassis 1 was adopted [no RC].
- The Senate concurred with the House changes to HB 5098, as amended by the Senate [RC 592: 22 yes, 16 no]. Immediate Effect was given to the bill.

HB 5107 would eliminate the exemption for the use of wide area telecommunication service or similar service, an interstate private network and related usage charges, and international calls. These telecommunication services would be taxed in the same manner as interstate telephone communications. The bill would also increase the state's jurisdiction over companies that do business in Michigan, but which currently don't pay any taxes. This raises \$14.1 million in revenue.

- Cassis 1 was adopted [no RC].
- The Senate concurred with the House changes to HB 5098, as amended by the Senate [RC 593: 22 yes, 16 no]. Immediate Effect was given to the bill.

HB 5108 would: 1) Completely phase out the health care add-back. 2) Reduce the standard rate by up to 0.4 percent point. 3) Reduce the gross receipts reduction (which increases the tax base). 4) Reduce the excess compensation reduction (which increases the tax base). 5) Create a credit based on taxes paid on industrial personal property. HB 5108 would cut business taxes by: \$138.9 million in 2005, \$209.2 million in 2006, \$298.0 million in 2007, \$325.6 million in 2008, \$336.6 million in 2009, for a combined total of \$1,308.2 million over the next five years.

- Cassis 1 was adopted [no RC].
- The Senate concurred with the House changes to HB 5098, as amended by the Senate [RC 594: 38 yes, 0 no]. Immediate Effect was given to the bill.

**SB 789 (Birkholz)**

**SB 790 (Van Woerkom)**

**SB 799 (BRATER)**

SBs 789-800 and HBs 4572-73 would provide \$40 million in grants to local communities from the Strategic Water Quality Initiatives Fund. A local unit of government would be eligible to receive a grant up to \$1 million for project planning services if it proceeded with loan funding under either the State Water Pollution Control Revolving Fund or the Strategic Water Quality Initiatives Fund. In aggregate, up to \$40 million would be available for local units of government as grant funding. This package would require the DEQ to establish a program that provided grants to governmental units to cover the costs of design, engineering, and professional consulting when developing a project plan in applying for loan assistance from the State Water Pollution Control Revolving Fund.

Support: Michigan Association of Counties, Michigan Municipal League, Michigan Townships Association, DEQ.

SB 789 would establish a program to provide water quality grants to governmental units to cover the cost of developing a project plan in applying for a loan from the State Water Pollution Control Revolving Fund

- The Senate concurred with the House changes to SB 789 [RC 586: 38 yes, 0 no]. Immediate Effect was given to the bill.

SB 790 would define “grant program” to mean the Strategic Water Quality Initiatives Grant Program that would be established by HB 4572.

- The Senate concurred with the House changes to SB 790 and granted IE [RC 587: 38 yes, 0 no]. Immediate Effect was given to the bill.

SB 799 would allow actions undertaken in the planning of sewage treatment works, stormwater treatment, or nonpoint source projects, and project planning services to be eligible for grants.

- The Senate concurred with the House changes to SB 799 [RC 588: 38 yes, 0 no]. Immediate Effect was given to the bill.

#### **HB 4572 (Stakoe)**

#### **HB 4573 (Nitz)**

HB 4572 would create the Wastewater Application Grant Fund within the state treasury. Money could be expended from the fund only for grants to governmental units to cover the total cost of engineering and professional consulting when developing the project plan for applying for loan assistance from the State (Water Pollution Control) Revolving Fund. Grant funds could not be used for public notice activities, general local government administration costs, or costs associated with educating the public about the proposed project. A governmental unit could not receive more than an accumulated total of \$3 million in grants to use for developing the project plan.

- The Senate concurred with the House changes to HB 4572 [RC 589: 38 yes, 0 no]. Immediate Effect was given to the bill.

HB 4573 would redistribute the allocations from the Great Lakes Water Quality Bond Fund so that 80 percent (reduced from the current 90 percent) of the bond revenue would be deposited in the State Revolving Fund, 10 percent in the Strategic Water Quality Initiatives Fund, and the remaining 10 percent in a new Wastewater Application Grant Fund that would be created under HB 4572.

- The Senate concurred with the House changes to HB 4573 [RC 590: 38 yes, 0 no]. Immediate Effect was given to the bill.

#### **HB 5047 (Huizenga)**

#### **HB 5048 (Huizenga)**

#### **HB 5109 (Baxter)**

### **SECURITIZATION**

HB 5047 would allocate money from the new Jobs for Michigan Investment Fund for basic research, applied research, university technology transfers, and commercialization of products, processes, and services to encourage the development of competitive edge technologies with a high probability of creating jobs in Michigan. A Strategic Economic Investment Board would direct the Fund, which would be required to 1) establish a competitive process to award grants and make loans for competitive edge technologies; and 2) contract with independent peer review experts to assist the board with its responsibilities.

- The Senate concurred with the House changes to HB 5047 [RC 576: 35 yes, 3 no].

HB 5048 would provide for the sale of three-fourths of the state's future tobacco settlement revenue. The amount of proceeds available from the sale of future tobacco settlement revenue will be depend on the prevailing bond market interest rate for this type of security at the time of sale. If such interest rates rise, the gross proceeds will be reduced.

- The Senate concurred with the House changes to HB 5048 [RC 577: 35 yes, 3 no].

HB 5109 would create a new fund, the 21<sup>st</sup> Century Jobs Trust Fund, which would consist only of net proceeds from the sale of tobacco settlement revenues to the Tobacco Settlement Finance Authority, interest and earnings from trust fund investments, and donations from any source. The trust fund would be created in the Department of Treasury; the state treasurer would direct investments. The Tobacco Settlement Finance Authority is the authority that would be created by HB 5048, which authorizes the sale of a portion of future tobacco settlement receipts. Taken alone, the bill would have no fiscal impact on either the State of Michigan or its local units of government. The bill is related to other legislation that would authorize the sale of a portion of future tobacco settlement receipts.

- The Senate concurred with the House changes to HB 5109 [RC 578: 35 yes, 3 no].

## FINAL PASSAGE

### **SB 448 (Cropsey)**

SB 448 would make various changes relating to the operation and administration of Michigan courts. The bill would: 1) Allow a plan of concurrent jurisdiction to provide that probate judges in certain counties would have the jurisdiction, powers, and duties of a district judge. 2) Revise the per-day salary of a retired judge assigned to active judicial service. 3) Change the effective date of a probate court district approved by the electors of certain counties.

- *Committee 1 (1 amend) was adopted.*
- *Cropsey 2 (3 amends) was adopted.*
- *Cropsey 3 (2 amends) was defeated.*
- *Cropsey 4 (2 amends) was adopted.*
- *SB 448 was moved to 3<sup>rd</sup> Reading.*
- **SB 448 passed [RC 598: 38 yes, 0 no].**

### **SB 624 (Toy)**

SB 624 would designate: 1) US-24 in Wayne County the "10th Mountain Division Memorial Highway" and 2) M-3 in Macomb county as the "Ronald W. Wilson Memorial Highway."

- *Sanborn 1 (3 amends) was adopted. Reagan amendment.*
- *SB 624 was moved to 3<sup>rd</sup> Reading.*
- **SWITALSKI 1 was adopted [no RC].**
- **SB 624 passed [RC 600: 38 yes, 0 no].**

### **SB 685-86 (Birkholz)**

SB 685 would amend the sentencing guidelines to conform with provisions in SB 686 regarding trespassing upon premises or a structure belonging to another that is a key infrastructure if the key infrastructure is

completely enclosed by a physical barrier of any kind. A person who violates this section is guilty of a felony punishable by imprisonment for not more than 4 years or a fine of not more than \$2,500, or both.

- *Committee 1 (S-1) was adopted.*
- *SB 685 was moved to 3<sup>rd</sup> Reading.*
- **SB 685 passed [RC 602: 38 yes, 0 no].**

SB 686 would provide that a person shall not intentionally or without authority or permission enter or remain in or upon premises or a structure belonging to another that is a key infrastructure if the key infrastructure is completely enclosed by a physical barrier of any kind. The bill is necessary to deter trespassing and potential terrorist attacks on key infrastructures throughout the state. "Key Infrastructure" means 1 or more of the following: (a) a chemical manufacturing facility. (b) a refinery. (c) an electrical power generation or electrical distribution facility. (d) a water intake structure or water treatment facility. (e) a natural gas transmission compressor station. (f) gasoline, propane, liquid natural gas, or other fuel terminal or storage facility. (g) a transportation facility, including, but not limited to, a port, railroad switching yard, or trucking terminal. (h) a pulp or paper manufacturing facility. (i) a pharmaceutical manufacturing facility. (j) a hazardous waste storage, treatment, or disposal facility.

- *Committee 1 (S-1) was defeated.*
- *Birkholz 2 (S-2) was adopted.*
- *SB 686 was moved to 3<sup>rd</sup> Reading.*
- **SB 686 passed [RC 601: 37 yes, 0 no].**

#### **HB 4325 (Mortimer)**

HB 4325 would restrict the performance of needle electromyography (EMG) or the interpretation of nerve conduction tests to specially trained licensed physicians. According to physicians' societies, the practice of medicine continues to be eroded by attempts to expand the scope of practice of ancillary health care professions. Supporters of such efforts believe that allowing allied health professionals to perform procedures historically done only by physicians improves patient access and lowers health care costs. However, physicians believe that these efforts decrease the level of safety and quality of care. In the end, poor patient outcomes increase health care costs and spur malpractice actions.

Support: Michigan State Medical Society, Michigan Neurological Association and Henry Ford Hospital, Michigan Academy of Physical Medicine and Rehabilitation, American Academy of Neurology, American Association of Neuromuscular and Electrophysiological Medicine, Lansing Orthopedic PC, Michigan Chiropractic Society.

Oppose: Michigan Physical Therapy Association.

Neutral: Michigan Nurses Association, Michigan Department of Community Health.

- *Committee 1 (S-1) was adopted [no RC].*
- *George/JACOBS 1A (1 amend) was adopted. This would grandfather in those who are already performing this test.*
- *Johnson 1B (2 amends) was defeated. This would allow physical therapists to perform these tests.*
- *HB 4325 was moved to 3<sup>rd</sup> Reading.*
- **Johnson 2 was defeated [no RC].**
- **HB 4325 passed [RC 604: 24 yes, 14 no].**



## **HB 4342 (Moore)**

HB 4342 would exclude 100% of health care benefits from the base of the Single Business Tax for tax years that begin after December 31, 2005. The bill would reduce revenue by an estimated \$22.5 million in 2006 and \$30 million to \$35 million in 2007.

Support: The Michigan Chamber of Commerce, National Federation of Independent Businesses, Small Business Association of Michigan, Michigan Manufacturers Association, Michigan Association of Homebuilders, Michigan Bankers Association, Michigan Association of Insurance and Financial Advisors, Michigan Association of Health Plans, Michigan Restaurant Association, Michigan Business and Professional Association, Detroit Regional Chamber, Grand Rapids Chamber of Commerce, Ann Arbor Chamber of Commerce.

Oppose: The Department of Treasury

- Cassis 1 was adopted [no RC].
- HB 4342 was moved to 3<sup>rd</sup> Reading.
- HB 4342 passed with IE [RC 596: 36 yes, 2 no].
- HB 4342 vote by which it passed was reconsidered [no RC].
- Cassis 1 was adopted [no RC].
- HB 4342 passed [RC 605: 36 yes, 2 no].

## **HB 4718 (GLEASON)**

HB 4718 would name: 1) Highway M-54 in Genesee County from its intersection with I-75 north to its intersection with I-69 as the "UAW Sitdown Strike Memorial Highway;" and 2) Highway M-54 in Genesee County from its intersection with I-69 north to its intersection with M-57 the "Marine Corps League Memorial Highway."

- *Committee 1 (S-2) was adopted.*
- *BASHAM 1A was adopted.*
- *Toy 1B was adopted. Tie-bar to SB 624.*
- *HB 4718 was moved to 3<sup>rd</sup> Reading.*
- HB 4718 passed with IE [RC 599: 37 yes, no].

## **HB 4973 (Baxter)**

HB 4973 would eliminate the payroll and property factors currently used in determining SBT tax liability and, instead, base apportionment entirely on sales. On a full year basis, this bill would reduce SBT revenue (GF/GP) by an estimated \$43 million.

- Sikkema 1 was adopted [no RC].
- HB 4973 was moved to 3<sup>rd</sup> Reading.
- HB 4973 passed with IE [RC 595: 38 yes, 0 no].

## **HB 5050 (Robertson)**

HB 5050 would require the State Tax Commission to issue an exemption certificate that would run from December 30, 2005, to December 30, 2010, for a piece of property in Fenton. The lost property tax revenue for state, local and school combined is approximately \$120,000 annually or \$600,000 over the five years remaining

from the original industrial property tax abatement. This estimate is based on the current assessed value of the real property located in the City of Fenton and current millage rates, which total slightly less than 58 mills, and the depreciated value of the personal property that the prospective buyer, Tri-Bar Manufacturing, would move into the plant.

- *Committee 1 (S-1) was defeated.*
- *Committee 2 (S-2) was adopted.*
- *HB 5050 was moved to 3<sup>rd</sup> Reading.*
- **HB 5050 passed with IE [RC 597: 38 yes, 0 no].**

#### **HB 5297 (VAGNOZZI)**

HB 5297 is part of a package that would allow local governments to apply for a grant to be used in developing the project plan needed to apply for a loan from water treatment funds.

- *HB 5297 was moved to 3<sup>rd</sup> Reading. No amendments.*
- **HB 5297 passed with IE [RC 603: 38 yes, 0 no].**